



COUNCIL AGENDA: 03-04-03
ITEM: 10.1

Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Del D. Borgsdorf
Susan F. Shick

SUBJECT: SEE BELOW

DATE: February 19, 2003

COUNCIL DISTRICT: Citywide

**SUBJECT: QUARTERLY CITYWIDE CAPITAL IMPROVEMENT PROGRAM
STATUS REPORT INCLUDING PARK, LIBRARY AND PUBLIC SAFETY
BOND PROJECTS AND STRONG NEIGHBORHOODS INITIATIVE
PROJECTS**

CIP BUDGET ADVISORY

The schedules and commitments in the attached report are subject to change as a result of possible budget impacts. Recommendations regarding reprioritizing existing General Fund capital projects will be made to the Council by the end of March. Recommendations to accelerate or defer non-General Fund capital projects based on their operations and maintenance impacts to the General Fund will be made to Council as part of the budget process in early May. Redevelopment Agency funds for Strong Neighborhoods Initiative projects remain frozen pending resolution of the State budget.

RECOMMENDATION

Staff recommends that the Council accept this quarterly report on the Citywide Capital Improvement Program (CIP) including park, library and public safety bond projects and Strong Neighborhoods Initiative (SNI) projects.

BACKGROUND

The adopted 2003-2007 CIP is the largest in the City's history, with a budget of approximately \$3.5 billion including 703 projects and 162 programs. With the increased size and scope of the program, the City needed to change the way it does business in order to meet the project delivery demands of such a program. One area of improvement was the creation of the CIP report. The report provides the Mayor and Council information on the status of CIP projects and establishes a commitment for the delivery of projects with activity in the current year. The report includes all projects and programs funded within the 5-year program and provides the status of all of the projects as of December 31, 2002 plus some more current January and February 2003 progress information to cover more recent events. In November 2002 it was reported to the Council that the CIP quarterly report would be merged with the Strong Neighborhoods Initiative quarterly report. This has been successfully implemented and the attached report represents this merger.

The City Manager's CIP Action Team continues to manage aspects of the overall CIP implementation effort. The team has three main functions: 1) assist departments with project challenges and removal of barriers to project delivery; 2) monitor all CIP projects to ensure the City is meeting its quality and on-time, on-budget goals; and 3) provide a one-stop information resource to the Mayor, Council, City staff, and public. The CIP Action Team has been working with the CSAs in monthly CSA/CIP project delivery meetings to resolve project issues and to confirm project schedules and budgets to insure timely delivery.

With the last quarterly report, the Council approved the base schedules for the projects with activity in FY 02-03. Base schedules were set using one of three criteria: 1) schedules derived from commitments that have been made through the budget process, general obligation bond programs, Mayor and Council direction, or the Mayor's budget message process; 2) schedules were established for the first time for projects that had no previous commitment; 3) schedules were reset for some projects because the original committed schedule was no longer feasible. The goal with the reset projects was to establish a new realistic schedule from which staff can measure accountability.

ANALYSIS

Currently, there are 703 projects and 162 programs in the 5-year CIP of which 594 projects are scheduled to have activity in FY 02-03. This includes 47 funded SNI projects, most of which have been added since the last CIP report. The City has made significant progress in the delivery of projects during this past year. In FY 00-01, the City awarded 73 construction contracts. That number increased to 131 contracts in FY 01-02 and is projected to increase to 185 contracts in FY 02-03. During the first half of FY 02-03, the City awarded 79 construction contracts totaling approximately \$154 million.

Economic Conditions and Budget Strategy

One of the most important issues impacting the delivery of capital projects is the significant economic downturn, which continues to plague the local and state economy. Although the General Fund is experiencing the brunt of the impact, the capital program will also be affected in several ways; 1) there are projects in the capital program that are funded from the General Fund; 2) some of the tax revenues that the capital program relies on are declining; 3) the State budget approval process is likely to have impacts, especially on Redevelopment Agency funded projects which would also include most SNI projects; 4) although some capital projects will decrease maintenance costs, others such as the opening of a new community center or library increase operational and maintenance costs to the General Fund.

All of these issues are being analyzed so that a comprehensive plan regarding the implementation of the capital program can be recommended to the Council for approval. This plan is likely to have two phases:

- Phase 1: Evaluate the projects with uncertain funding. This has already been done for the Redevelopment Agency funded projects and is underway for the capital projects funded by the General Fund. The projects subject to this evaluation have been identified within the report. This includes approximately 100 total projects, 54 SJRA funded

projects and 46 CIP projects funded by the General Fund. Forty-two (42) of these 100 projects are also identified as Top 10 SNI projects.

- Phase 2: Evaluate the remainder of the capital program including the bond programs to determine the impact on the General Fund. Staff will make recommendations to reprioritize schedules and accelerate items that have beneficial or neutral impact on the General Fund and defer those that have negative impacts (operating and maintenance costs).

Therefore, it should be noted that the schedules provided within the report are subject to change pending the results of this effort.

Park and Library Bond Projects

Of the 119 Park and Library bond projects, 29 have been completed, 69 are ongoing or scheduled to begin activity by June 2003, and 21 projects are currently programmed to begin activity in future fiscal years. Of the 98 projects completed, ongoing or scheduled to begin activity this fiscal year, 79 projects are on schedule or have been completed, 14 projects have extended schedules, 4 projects have schedules which are pending, and 1 project has a schedule which is in the process of being reset.

The current schedules for the Park and Library bond projects will result in a total of 98 projects with activity by June 2003. Of these, 55 projects are scheduled to be completed by June 2003 with a total of 79 projects to be completed by June 2004. See Figure 2-4 in Section II of the report.

Public Safety Bond Projects

The Public Safety Bond program includes 36 projects: 18 projects are ongoing or scheduled to begin activity by June 2003, and 18 projects are currently programmed to begin activity in future fiscal years. Of the 18 projects ongoing or scheduled to begin activity this fiscal year, 17 projects are on schedule and 1 project has a reset schedule.

The current schedules for the public safety bond projects will result in a total of 18 projects with activity by June 2003. Of these, 7 projects are scheduled to be completed by June 2004 with a total of 11 projects to be completed by June 2005. See Figure 3-3 in Section III of the report.

In addition to project activities, the CIP Action Team is working with the individuals appointed to the Public Safety Citizen Oversight Committee. The Public Safety project delivery team will be conducting an orientation session with the committee members in early March.

Other CIP Projects (Non General Obligation Bond Projects)

In summary, of the 548 other projects in the CIP, 121 have been completed, 357 are ongoing or scheduled to begin activity by June 2003, and 70 projects are currently programmed to begin activity in future fiscal years. Of the 478 projects completed, ongoing or scheduled to begin activity this fiscal year, 395 projects are on schedule or have been completed, 38 projects have extended schedules, 39 projects have schedules which are pending, and 6 projects have schedules which are in the process of being reset.

The current program schedule will result in a total of 478 projects with activity by June 2003. Of these, 219 projects are scheduled to be completed by June 2003 with a total of 380 projects to be completed by June 2004. See Figure 4-11 in Section IV of the report.

SNI Program

Presently, 17 of the 20 SNI areas have adopted plans. Of the 173 projects identified in the approved plans, 47 have been approved for funding either through the July 2002 City of San Jose budget process or through annual programmatic department funding. Each of the 47 funded projects has a schedule or a schedule is in the process of being developed.

As mentioned, the State, City, and the Redevelopment Agency are encountering a very challenging budgetary cycle that may have a significant impact on the Strong Neighborhoods Initiative effort and CIP projects. While the City is committed to moving forward with the Strong Neighborhoods Initiative process, changes are expected resulting from the budget shortfall. Staff will continue to work with the neighborhood groups, Neighborhood Advisory Committees (NAC's), and the Strong Neighborhoods Initiative Project Area Committee (PAC) and will provide updates as information is received.

The City's commitment to forming partnerships, developing our individual and community assets, and to better connecting our City resources to the neighborhoods remains strong. These challenges only make it more critical that together stronger neighborhoods are built.

Improvements to Project Monitoring and Delivery

Besides working on projects, staff is continuously making process and system improvements to facilitate project implementation. The following are some of the highlights of the process improvements occurring in the City:

- The CIP Action Team has conducted meetings with members of each Council District to provide a one-stop information resource on the CIP. During these meetings, the CIP Action Team updates the Council Member on the status of the capital projects within their district and reviewed priorities and issues regarding the CIP.
- Significant progress has been made on implementing a citywide project database that allows key program staff from all departments to have full access to the database. In the past quarter, all SNI project managers with funded projects were provided access to the database as well as trained in its use. Over the next quarter, the database team will focus on completing the functional requirements documentation to determine exactly what type of system project managers need to efficiently perform their jobs.
- Staff has worked with the City Clerk's Office to establish a second bid opening date during peak bidding periods. This allows more flexibility in the scheduling of bidding and awarding of projects.
- A process improvement committee is being formed to evaluate and prioritize CIP processes that need improvement. This would include improving the coordination between all of the departments involved in the project delivery process. The plan is to

target first those processes that have the most significant impact on project delivery with the goal of expediting project delivery.

- Performance measurements are being established for the entire capital program. These measurements will: 1) reflect the transition of project delivery responsibilities to the City Service Areas (CSAs), 2) provide uniformity and consistency of measurements, and 3) encourage the CSAs to look at total service delivery including infrastructure development.

CIP Summary

The 2003-2007 CIP continues the City's "Decade of Investment" effort. The 5-year CIP includes a total of 703 projects and 162 programs for a total of 865 projects and programs. The sudden increase in the number of projects from the 663 indicated in the previous report to 703 is primarily a result of the addition of the funded capital SNI projects.

Of the 703 projects, 150 have been completed, 444 are ongoing or scheduled to begin activity by June 2003, and 109 projects are currently programmed to begin activity in future fiscal years. Of the 594 projects completed, ongoing or scheduled to begin activity this fiscal year, 491 projects are on schedule or have been completed, 52 projects have extended schedules, 43 projects have schedules which are pending, and 8 projects have schedules which are in the process of being reset. For the projects with extended schedules, the number has remained fairly consistent in the reporting period with a slight increase of projects with extended schedules. Every attempt will be made to recover as much of the schedule extension as possible. The number of projects with reset schedules has been dramatically reduced as expected due to the resetting effort that took place with the first report. Finally, the number of projects with schedules pending has gone up considerably; primarily due to the addition of the funded capital SNI projects many of which are still being scheduled. The delivery teams will be working diligently to resolve outstanding issues in order to schedule the projects for delivery.

The economic situation notwithstanding, the capital improvement program is moving forward in a very positive manner. All projects are being closely tracked to maximize timely delivery. The City Council, as part of the City's comprehensive strategy, will approve any adjustments to schedules as a result of the budget impacts.

PUBLIC OUTREACH

This report is accessible on the City's website at the following location: http://www.ci.san-jose.ca.us/pub_wrks/cip/bonds/report/index.html

COORDINATION

This report has been coordinated with the Redevelopment Agency, all of the departments with capital projects, QUEST and the Budget Office.

HONORABLE MAYOR AND CITY COUNCIL

February 19, 2003

Subject: Quarterly Citywide Capital Improvement Program Status Report

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CEQA

Not a project.

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Attachment